

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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TAGS: ECON EGEN EFIN
SUBJ: PRICE CONTROL CAMPAIGN CONTINUES

REF: CAIRO 13948

1. PRESS COVERAGE OF GOE'S CAMPAIGN AGAINST HIGH PRICES
CONTINUED AUGUST 24 AND 25 AS CONFRONTATION WITH MERCHANTS
ENTERED SECOND WEEK. DEPUTY MINISTER OF INTERIOR NABAWI
TOURED MOST OF CAIRO'S PRODUCE MARKETS AUGUST 24 AND 25 IN
AN EFFORT TO DEMONSTRATE GOVERNMENT'S INTENTION TO KEEP CLOSE
WATCH ON PRICE HIKERS. HABAWI MADE POINT OF INSPECTING
POLICE STATIONS IN EACH OF THE MARKETS HE VISITED TO
EMPHASIZE THAT THERE IS TO BE NO TOLERANCE OF PRICE
INCREASESES. PUBLICITY ALSO WAS GIVEN TO THE EXTENSION
OF PRICE CONTROL ACTIVITIES TO THE GOVERNORATES, WHERE LOCAL
OFFICIALS WERE ALSO FORCING MERCHANTS TO SELL GOODS AT
GOVERNMENT-SET PRICE LIMIT.

2. CABINET DISCUSSED PRICE CONTROL AT MEETING
AUGUST 25. MINISTER OF TRADE/SUPPLY TEWFIQ URGED THAT LOCAL
GOVERNMENT AUTHORITIES BE GIVEN POWER TO CLOSE SHOPS WHICH
SELL AT HIGHER THAN POSTED PRICES OR REFUSE TO SELL GOODS
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WHEN POSTED PRICES ARE ENFORCED. HE ALSO HIT AT WHOLESALERS,
IDENTIFIED AS BEING PRIMARILY RESPONSIBLE FOR PRICE
INCREASES. TEWFIQ EMPHASIZED THAT NATIONWIDE CAMPAIGN
TO GUARANTEE PROVISION OF COMMODITIES AT FIXED PRICES
WOULD BE TRANSFORMED AFTER RAMADAN TO A SYSTEM OF PERMANENT
SURVEILLANCE. PRIME MINISTER OFFICIALLLY PUT HIS SEAL OF
APPROVAL ON THE PRICE CONTROL CAMPAIGN; BASIC GOAL HE SAID

IS TO ENFORCE FIXED PRICES, NOT TO IMPRISON OFFENDERS. ACCORDING PRESS, 482 CASES HAVE BEEN BROUGHT BEFORE CAIRO SUPPLY INVESTIGATION COMMITTEE DURING PAST 48 HOURS. MOST OF THE CASES WERE FILED AGAINST PRODUCE WHOLESALERS AND RETAILERS. AS RESULT, MINISTER TEWFIQ HAS ORDERED GOVERNMENT COOPERATIVE TO DEAL DIRECTLY WITH PRODUCERS WHERE POSSIBLE. PRESS FULL OF ACCOUNTS OF INCIDENTS IN WHICH MANAGERS OF GOVERNMENT COOPERATIVES ENGAGED IN SMUGGLING OF GOODS, IMPORTED FOR SALE AT FIXED PRICE, TO PRIVATE SECTOR SHOPS FOR RESALE.

4. IN CONVERSATION WITH EMBOFF AUGUST 25, SAYED AL-MASRI, MINISTRY OF SUPPLY UNDER SECRETARY WHO IS DIRECTING CAMPAIGN FOR GOE, SAID HE BELIEVES EFFORTS WILL HAVE LASTING EFFECT. AL-MASRI, WHO CAME TO MINTRADE FROM MINSUPPLY ONLY FEW MONTHS AGO, SAID SUPPLY/TRADE MINISTER TEWFIQ HAS ASKED THAT HE TAKE CAREFUL LOOK AT LONG-NEGLECTED LAWS PERTAINING TO ENFORCEMENT OF OFFICIAL PRICE GUIDELINES. PRESSURE ON PRICE HIKERS WAS RESULT OF HIS (AL-MASRI'S) DETERMINATION THAT SITUATION HAD FINALLY GOTTEN OUT OF HAND. AL-MASRI REFUSED TO DISCUSS ANY CONNECTION BETWEEN CURRENT CONFRONTATION WITH MERCHANTS AND GOVERNMENT'S DISCUSSION ON DECREASE IN DIRECT PRICE SUBSIDIES. SUBSIDY REDUCTION IS MATTER OF POLICY, HE EXPLAINED, AND MINSUPPLY ONLY CHARGED WITH IMPLEMENTING EXISTING LAWS TO PROTECT CONSUMER.

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4. AL-MASRI EMPHASIZED EFFORTS TO BRING DOWN PRICES HAVE BEEN SUCCESSFUL. ONCE MERCHANTS WHO ARE SELLING AT HIGH PRICES ARE IDENTIFIED AND REPRIMANDED, POLICE KEEP SHIP UNDER SURVEILLANCE TO ASSURE THAT PRICED GUIDELINES ARE MAINTAINED. AL-MASRI SAID HIS OFFICE IS RECEIVING ABOUT 500 CALLS PER DAY FROM CONSUMERS TIPPING HIM OFF REGARDING MERCHANTS WHO ARE CONTINUING PRICE VIOLATIONS. AL-MASRI TURNS INFORMATION OVER TO HIS INVESTIGATIVE STAFF. FOR MOST PART, AL-MASRI SAID, HE HAS FOUND THAT ROOT OF PROBLEM LIES WITH WHOLESALERS AND THAT MOST ABUSES OF GOVERNMENT'S PRICE GUIDELINES ARE FOUND IN FRUIT AND VEGETABLE MARKETS. IN THIS AREA, GOVERNMENT GIVES GUIDELINES FOR SALE PRICES, BUT FACT IS THAT MOST PRODUCE SUPPLIERS, AS WELL AS MOST WHOLESALERS, ARE IN PRIVATE SECTOR, MAKING THEM HARDER TO CONTROL. AL-MASRI SAID THAT PRICE CAMPAIGN WOULD LEAD TO SOME SHORTAGES AS SUPPLIERS ATTEMPT TO HOLD BACK PRODUCE RATHER THAN SELL AT LOWER PRICES. (E.G., WHITESEEDLESS GRAPES ARE CURRENTLY UNAVAILABLE AFTER FIXED PRICE OF LE .18 PER KILO WAS ENFORCED. THESE GRAPES WERE SELLING FOR LE .40-.50 PER KILO BEFORE PRICE CAMPAIGN. PREVIOUS SEASON MAXIMUM

PRICE HAD BEEN LE .25 PER KILO.)

5. SECONDING THE MINISTER'S VIEW, AL-MASRI SAID THAT HIS PRICE BREAKING ACTIVITIES WOULD CONTINUE AS LONG AS IT TAKES TO KEEP PRICES IN LINE. HE NOTED THAT SHOW OF STRENGTH WAS, IN PART, ALSO RELATED TO RAMADAN FESTIVITIES AND FACT THAT, WITH SO MUCH MORE OF NEEDED GOODS AVAILABLE, GOVERNMENT WANTS TO BE SURE THAT PEOPLE BENEFIT FROM EFFORT MADE TO MAKE THIS MOST PLENTIFUL RAMADAN EVER. EILTS

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